NEWS RELEASE

CALIFORNIA STATE TREASURER PHIL ANGELIDES

FOR IMMEDIATE RELEASE **Contact: Mitchel Benson**
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TREASURER ANGELIDES WINS CALPERS APPROVAL OF NEW EQUITY COMPENSATION STANDARDS FOR CORPORATIONS

Angelides Says New, Broad-Based Standards Will 'Create Enduring Value' for Corporations and the Economy, Restore 'Sense of Fairness' to Financial Markets

SACRAMENTO, CA – The California Public Employees' Retirement System's Investment Committee today approved Treasurer Phil Angelides' new standards for equity compensation plans – including stock options – for the 1,000 largest companies in which the public pension fund invests its money.

Under the Treasurer's proposal, the California Public Employees' Retirement System (CalPERS) – the nation's largest public pension fund – will vote to support equity compensation plans only if the plans award five percent or less of the total compensation to the top five executives of the company. In addition, the plans must provide vesting schedules of four years or longer. In some circumstances, the CalPERS staff will have the discretion – on a case-by-case base – to support plans that do not meet those precise criteria when, for example, companies adopt limited, less expensive plans for such officers and provide other means of compensation for those at lower levels of the organization. In instances when staff does exercise such discretion, it will report back to the CalPERS board.

In addition, CalPERS officials will continue to study a second prong of the Treasurer's proposed standards, which would authorize CalPERS to approve only those equity compensation plans that grant less than 25 percent of the total compensation to executives or directors of the company.

Angelides, who sits on the boards of both CalPERS and the California State Teachers' Retirement System (CalSTRS) – the nation's third largest public pension fund – said his new standards will encourage corporations to offer broad-based equity compensation plans for all their employees, and not just top executives, and to curb the excesses in executive compensation that have undermined confidence in the nation's financial markets. Many independent experts say that such a broad-based approach results in greater long-term corporate value, increased productivity, and higher, sustained yields to investors.

"It's simple: Broad-based equity compensation plans create enduring value for the corporations that adopt them," Angelides said. "Perhaps just as important, they are good for the economy as a whole – they give workers the opportunity to participate in economic growth and they restore a sorely needed sense of fairness to our financial markets."

915 CAPITOL MALL, ROOM 110, SACRAMENTO, CA 95814 . (916) 653-2995 . FAX (916) 653-3125
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CalPERS voted on 1,318 equity-based compensation plan proposals in the one-year period that ended on March 31, 2003.

The Treasurer first proposed the equity compensation standards in April for both CalPERS and CalSTRS. Today's CalPERS Investment Committee vote constitutes formal CalPERS approval of the policy. The CalSTRS board is expected to take up the standards at its July meeting.

Today's action comes at a pivotal time. New rules, proposed in October 2002 to the Securities and Exchange Commission (SEC) by the New York Stock Exchange and the NASDAQ Stock Exchange, would require shareholders like CalPERS and CalSTRS to approve equity compensation plans for listed corporations. Those rules are now pending before the SEC. In addition, the adoption of Angelides' proposal comes in the wake of newly released studies that show that compensation for corporate executives climbed in 2002, even as stock prices continued to drop.

Angelides emphasized that there remains an urgent need for such equity compensation standards. He has pointed out that some of the country's most successful businesses already follow the broad-based approach to equity compensation that the CalPERS Investment Committee approved today. He has pointed to Intel Corp., for example, as a well-managed company and active proponent of strong corporate governance that has one of the nation's most aggressive stock option distribution plans. Intel awarded less than two percent of its options to its top five executives last year, and has a policy that says the top five should not receive more than five percent of the options granted in any given year.

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